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April 2, 2018

The Honorable Susan Collins
Chairperson
Senate Subcommittee on Transportation,
Housing and Urban Development, and
Related Agencies
The Capitol Building, Rm S-128
Washington, DC 20510

The Honorable Jack Reed
Ranking Member
Senate Subcommittee on Transportation,
Housing and Urban Development, and
Related Agencies
The Capitol Building, Rm S-146A
Washington, DC 20510

The Honorable Mario Diaz-Balart
Chairman
House Subcommittee on Transportation,
Housing and Urban Development, and
Related Agencies
The Capitol Building, H-305 Capitol,
Washington, DC 20515

The Honorable David Price
Ranking Member
House Subcommittee on Transportation,
Housing and Urban Development, and
Related Agencies
1016 Longworth House Office Building
Washington, DC 20515

Dear Chair Collins, Ranking Member Reed, Chair Diaz-Balart, and Ranking Member Price:

In preparation for the President's fiscal year 2019 budget request, we ask you to consider a cost-neutral proposal that will help the Housing Choice Voucher program house more low-income households. Under this proposal, the Department of Housing and Urban Development would have discretion to transfer some Housing Assistance Payment (HAP) reserve funds that pay for individual vouchers to the administrative fee account when an individual housing authority's voucher leasing rate falls below a prescribed level. We believe that a modest amount of fungible HAP funds would improve the leasing rate of vouchers.

The admin fee formula has been consistently underfunded. The prorated appropriations plunged to 69.3 percent in calendar year 2013 because of sequestration. In other years between 2011 and 2016, it has ranged from 79.8 percent to 83 percent. The proration for 2017 was only 76 percent.

HUD's own administrative fee study, which measures how much it should cost to operate a well run, efficient voucher program, confirms that fees are underfunded. The study shows that, in the national aggregate, funding of administrative fees should be at a 97.4 percent proration of the pre-QHWRA rates that are currently used, much higher than during the past decade.

HUD acknowledged the problem in its FY 2015 congressional budget justifications, when it said: "Cutting administrative fees to the degree that PHAs are unable to sustain the leasing and utilization supported by the renewal funding ultimately defeats the purpose for which that renewal funding is appropriated…The Department is extremely concerned the significant administrative fee proration[s] have depleted many PHAs' resources. Failing to provide adequate administrative fees will impede and disrupt PHA operations."

Lost Opportunities to House Needy Households

Low administrative fee funding has real life consequences. Analyzing HUD data, we estimate that in each of the past four years, over 100,000 low-income households could have been housed but were not, in part because of inadequate administrative fees.

We have identified a correlation between a higher administrative fee proration one year and increased voucher leasing the next, although other factors affect leasing too. For example, when the proration was raised from 81.6 percent in 2015, the total number of households leased rose by 130,054 vouchers in the following year, a 6 percent increase. This relationship holds true for other recent years as well.

The administrative fee proration decreased from 83.9 percent in 2016 to approximately 77 percent in 2017, and the national voucher lease-up rate in 2017 fell to 89 percent. Based on the FY 2018 Consolidated Appropriations Act, HUD estimates that the administrative fee proration will be approximately 76 percent. Performance of the voucher program could be at a higher capacity without an additional budget cost to the federal government.

The underfunded administrative fees have resulted in an increased number of housing authorities with negative fee reserve levels. Our analysis found that in 2015 and 2016, when the national fee proration was 81.6 percent and 83.9 percent respectively, a majority of housing authorities experienced a financial loss in administering vouchers or had negative or minuscule fee reserve levels relative to their annual expenses.

Line Staff Perform Many Key Functions

Housing authorities use information technology to efficiently run this program, but it still takes people to help people. Administrative fees are used to hire line staff who perform crucial tasks. Some staff members work directly with program participants by performing intake, briefings and selecting applicants; recruiting and retaining landlords; assisting with tenant-landlord disputes; conducting grievance hearings; and performing initial and follow-up housing quality standards inspections. They also provide assistance to disabled households with reasonable accommodation requests.

In a program that emphasizes tenant choice, voucher staff provide mobility services such as housing search assistance, transportation, and ensuring that families have security deposits. Some housing agencies operate revolving loan funds for this purpose. Often, staff members must provide or arrange for family credit counseling.

Other tasks are just as important because they ensure compliance with existing law, including the protection of taxpayer funds from improper payments. These activities include managing waiting lists; monitoring whether admitted households meet income targets; determining the rent reasonableness of dwelling units; calculating allowable household income, deductions, exclusions, rent and utility amounts; making timely HAP payments to landlords; and gathering and calculating utility data.

There are other vital tasks HCV staff perform which are cataloged in HUD's administrative fee study. These tasks include planning and implementing special programs like Family Self-Sufficiency and Veterans Affairs Supportive Housing.

The Fungibility Proposal

Our voucher fungibility proposal would allow housing authorities to utilize a portion of the Housing Assistance Payment reserves to augment directly appropriated administrative fees when the fee formula is inadequately funded. HUD would have oversight and approval authority over any housing authority seeking to utilize a portion of the HAP reserve balances up to a 90 percent level. In years when the HAP allocation formula is less than 100 percent, the proposal limits the percentage of HAP reserves that housing authorities can access for administrative purposes.

If this proposal is adopted, HUD's implementation notice could stipulate the procedures, mechanisms, and programmatic conditions needed for eligible housing authorities to make such a request, as well as the approval process to be followed.

Only modest amounts of HAP reserves would be used to raise administrative fee prorations. We have estimated that, to bring fee prorations up from 76 percent to 90 percent under the existing fee formula, less than 1.4 percent of total national HAP-related funds would have been used in FY 2017.

We believe this proposal fits with the objectives of serving more households with existing funding resources, deregulation and devolving decision-making to the local level. Potential legislative language is attached (attachment A) for your consideration and we welcome your thoughts about how this proposal can be improved. If you have further questions, please contact us. Thank you for your consideration.

Sincerely,

Timothy G. Kaiser
Executive Director
Public Housing Authorities Directors Association

Adrianne Todman
CEO
National Association of Housing and Redevelopment Officials

Sunia Zaterman
Executive Director
Council of Large Public Housing Authorities

Denise B. Muha
Executive Director
National Leased Housing Association

Encl.

Attachment A

Under the heading "Tenant-Based Rental Assistance", in paragraph 3 after the second proviso add the following new provisos:

Provided further, That in addition to the actions the Secretary may take pursuant to the previous proviso, the Secretary may permit a public housing agency to use its reserves of housing assistance payments appropriated under this heading in prior fiscal years, notwithstanding the purposes for which such amounts were appropriated, in order to increase the agency's funding for administrative and other expenses under this paragraph up to an amount not to exceed 90 percent of the agency's full funding determined in accordance with the first proviso of this paragraph: Provided further, That in addition to the restrictions in the previous proviso, in any fiscal year in which the Secretary prorates each public housing agency's allocation established pursuant to the first paragraph under this heading, a public housing agency may not use more than 10 percent of its reserves of housing assistance payments to fund administrative and other expenses: Provided further, That the Secretary may permit a public housing agency to use its reserves of housing assistance payments for administrative and other expenses only if in the prior calendar year the agency had an annual administrative deficit or unrestricted net position at or below one month's worth of its annual administrative and other expenses.